



OFFICE OF

INSURANCE COMMISSIONER

BULLETIN

REPLY TO:
OLYMPIA OFFICE
INSURANCE BUILDING
OLYMPIA, WASHINGTON 98504
753-7300, AREA CODE 206

No. 83-4

September 2, 1983

Subject: CREDIT INSURANCE

- (1) Prima Facie Acceptable Rates--Form Filings
- (2) Policy or Certificate Must be Given to Debtors

Subject 1: Our rules establish "prima facie acceptable rates" for credit insurance. Certain rates will be deemed to be acceptable without substantiating data if they do not exceed the premium rates set forth therein.

Those rates are presumed to produce reasonable benefits in relation to premiums only if the forms meet the standards stated in the rules. Credit life insurance contracts, for example, may contain no exclusion other than for suicide within two years of the effective date of the insurance, and coverage must be provided or offered to all debtors regardless of age, or to all debtors not older than the applicable age limit, which may not be less than 65 or 66 as described in WAC 284-34-010(3)(b). Credit accident and health insurance must meet similar standards, although WAC 284-34-020(3) and (4) permit a few more exclusions.

It has been noted that forms are being submitted as if they were eligible for "prima facie rates," although they contain additional conditions, such as a requirement that the applicant be "actively at work" or provide evidence of insurability. Such forms do not meet the presumption of premium-to-benefit reasonableness and their filing must be supported with substantiating rate data.

By inadvertence, a few such forms may have obtained approval without the necessary supporting data. They must be withdrawn or their filings corrected.

Companies should review the applicable statutes and rules so that proper filings are made. If you have questions concerning this subject, contact Don Starovasnik, Actuary, in our Olympia Office. His phone number is (206) 753-7305.

Subject 2: Credit insurance must be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance. RCW 48.34.090 specifically requires that the policy or the

Bulletin No. 83-4
September 2, 1983

certificate be delivered to the debtor. In too many instances the debtor is not, in fact, receiving a policy or certificate.

We request that insurers review their procedures to make sure that debtors will receive either the insurance policies or the certificates of insurance, as appropriate. RCW 48.34.090(4) should also be studied to make certain that the disclosure requirements set forth therein are complied with when the individual policy or the certificate is not delivered to the debtor at the time the indebtedness is incurred.

We expect insurance companies to educate their agents and others involved in the issuance of credit insurance so that the statutory requirements are met and debtors will receive the disclosures contemplated by the law.

DICK MARQUARDT
Insurance Commissioner